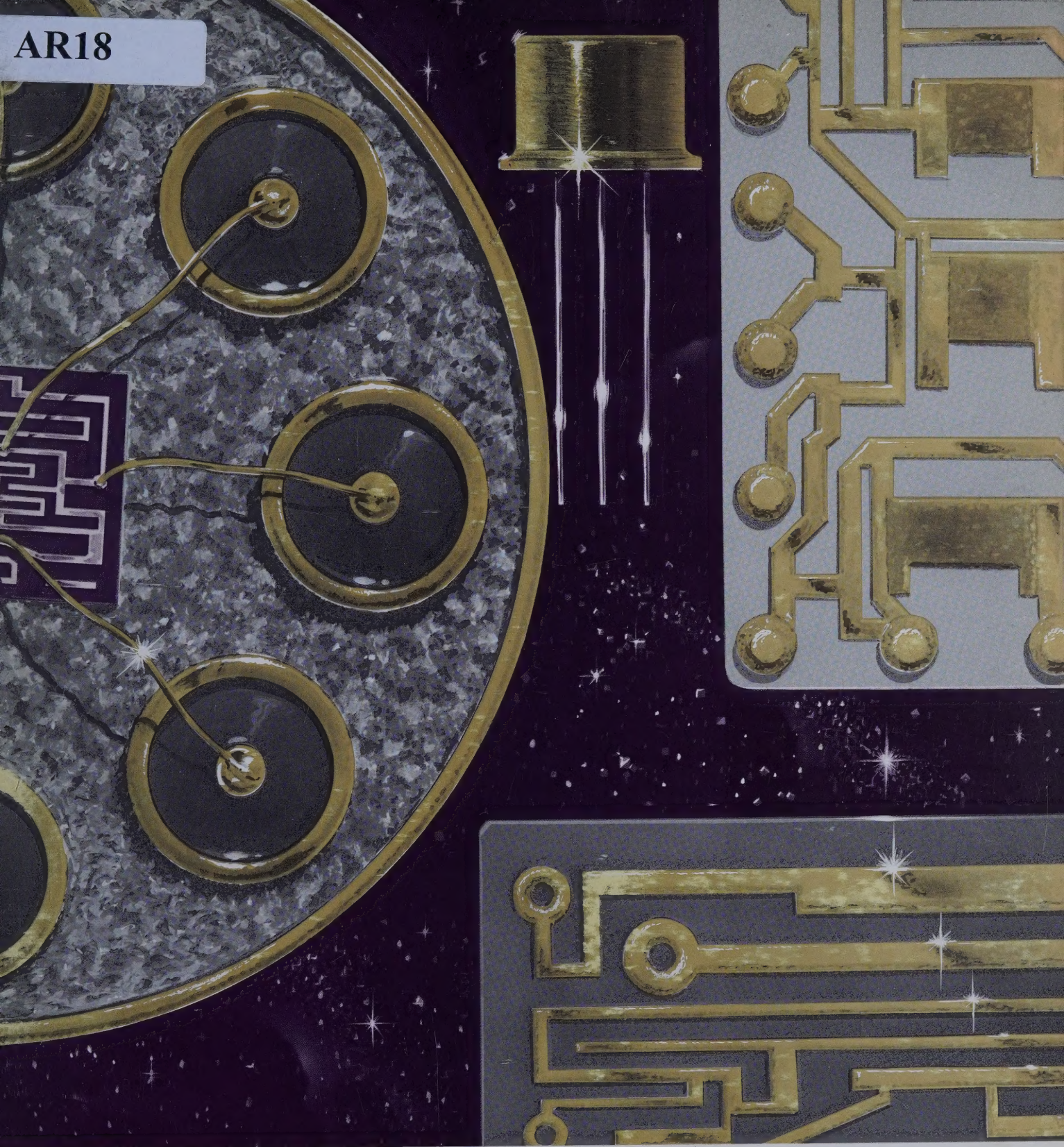
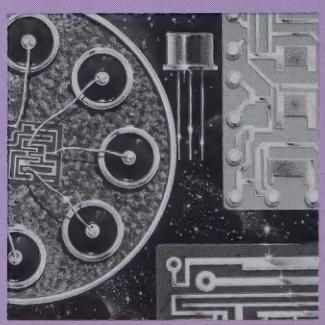


O/E/N

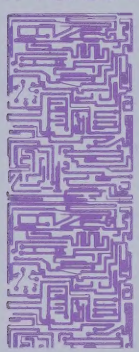
OAK ELECTRO/NETICS CORP

1968
ANNUAL
REPORT

*The cover illustration symbolizes O/E/N's advances in the limitless field of microelectronics.*



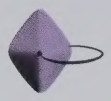
# Index





# Highlights

| | 1968 | 1967 |
|---|---|---|
| Net Sales | $88,762,043 | $92,301,256 |
| Income Before Income Taxes and Moving Expenses | 3,306,160 | 5,397,313 |
| Provision for Income Taxes | 1,785,000 | 2,570,000 |
| Income Before Moving Expenses | 1,521,160 | 2,827,313 |
| Moving Expenses and Related Costs (Net of Taxes) | 119,271 | 505,315 |
| Net Income | 1,401,889 | 2,321,998 |
| Per Common Share | $ .66 | $1.26 |
| Average Common Shares Outstanding | 1,576,246 | 1,567,747 |
| Cash Dividends Paid—Common Stock | $ 727,581 | $ 684,144 |
| Per Common Share | $ .64 | $ .64 |
| Shareholders' Investment | $24,194,338 | $23,860,437 |
| Number of Shareholders | 4,494 | 4,385 |
| Number of Employees | 8,998 | 8,315 |



# President's Message

From an operating standpoint, 1968 was a disappointing year for OAK ELECTRO/NETICS CORP.

Sales and earnings, excluding Harper-Wyman Company which was formally acquired in March 1969, were down from 1967 levels. The volume and profit decline was principally due to television tuner production problems in the Far East in the early part of the year. As operations improved, heavy costs for air shipments of tuners and related components between Hong Kong and the U.S. to meet customer commitments continued to affect earnings through the balance of the year.

Other factors contributing to the decline were start-up costs attendant to plant consolidation and reorganization programs and a decline in military orders.

During the year, the entire tuner operation was reorganized. The Korean assembly facility was closed and the company's principal tuner assembly plant in Hong Kong, formerly a part of International Operations, was brought into the Oak Division.

By year end, Hong Kong tuners were being produced at traditional quality levels and near capacity rates.

All O/E/N relay production was consolidated in the Elkhorn, Wisconsin, plant during the year. The move from Hartford, Connecticut, completed in 1967, and the transfer in August 1968, of production from Puerto Rico, resulted in start-up costs that further affected 1968 profits.

Research activities were greatly expanded with the completion of the new Development Laboratories in Madison, Wisconsin, where engineers and scientists are concentrating on some of the fastest growing microelectronics areas. Special emphasis is being placed on advancing state-of-the-art developments in integrated circuitry.

Virtually all divisions contributed to product design advances ranging from integrated circuits to electrically conductive sealants for grounded pipelines.

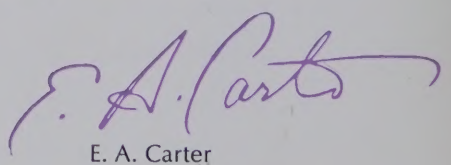
A major diversification move was announced late in the year with the Harper-Wyman acquisition, the largest in O/E/N's history. Harper-Wyman, with 1968 sales of approximately $19 million, increases O/E/N's earnings capability and also marks a major step in a long-range plan to reduce dependence on the consumer electronics industry and broaden participation in the appliance controls market.

The overall 1969 market picture remains cloudy. The international situation—in terms of the money market and contingencies attendant to Vietnam—coupled with the effect of the income tax surcharge on consumer spending, suggests cautious optimism.

A favorable breakthrough in any of these questionable areas could, however, produce an equally favorable reaction in the electronics marketplace.

Concern over general 1969 market conditions is alleviated somewhat by the knowledge that improved administrative and manufacturing controls will preclude recurrence of last year's internal problems.

We look forward to a return to profit levels inherent in O/E/N's line of quality products and the markets we serve.



E. A. Carter
*President and Chairman*

March 6, 1969


HARPER-WYMAN COMPANY . . .
*Domestic Operations*

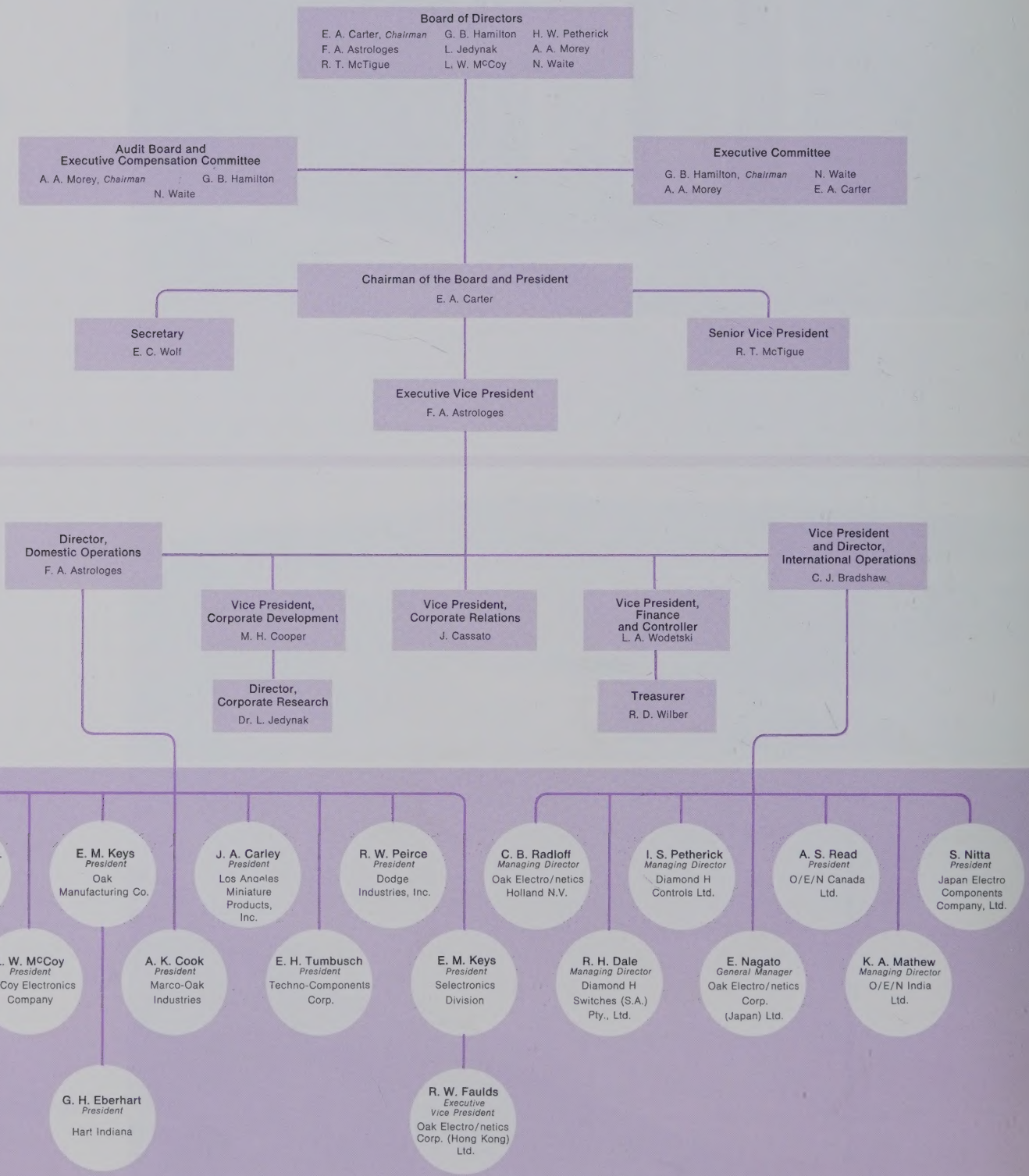
Hinsdale, Illinois (Headquarters)

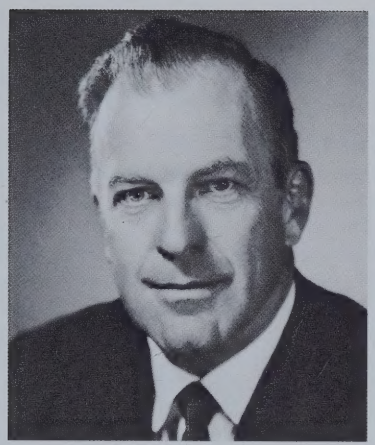

Downers Grove, Illinois

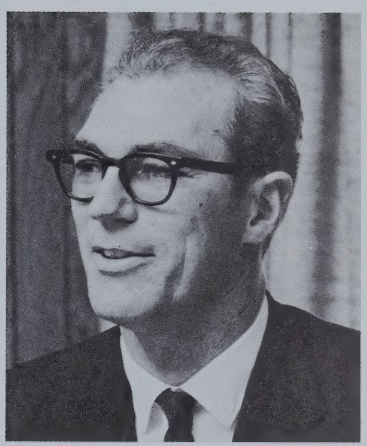
Princeton, Illinois

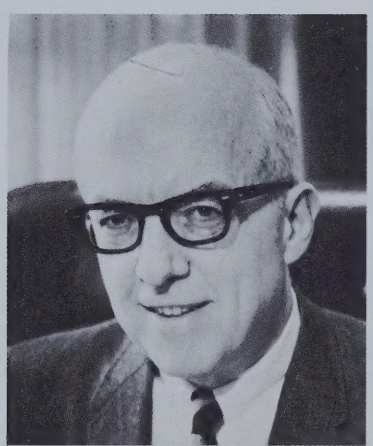
# Management Organization

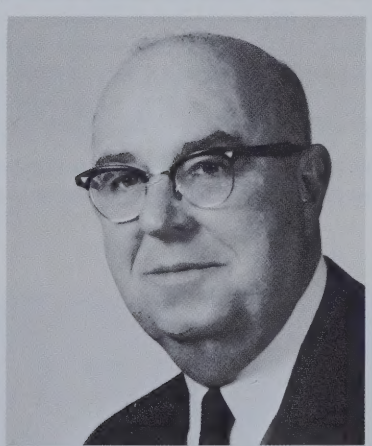
## OAK ELECTRO/NETICS CORP











# Board of Directors

**E. A. Carter**
*Chairman of the Board and President*

**R. T. McTigue**
*Senior Vice President*

**L. W. McCoy**
*President, McCoy Electronics Company*

**F. A. Astrologes**
*Executive Vice President*

**G. B. Hamilton**
*Chairman, Executive Committee*

**H. W. Petherick**
*Chairman, Diamond H Controls Ltd.*

**L. Jedynak**
*Director, Corporate Research*

**A. A. Morey**
*Chairman, Marsh & McLennan, Inc.*

**N. Waite**
*Partner, Schiff Hardin Waite Dorschel & Britton*

# The O/E/N Performance

**Sales** Consolidated net sales in 1968 totaled $88,762,043, down 4 per cent from the restated sales of $92,301,256 for the previous year, after adjustment for the acquisition of Harper-Wyman Company under the pooling-of-interests concept.

**Earnings** Net income, before moving expenses and related costs for the transfer of machinery, equipment and inventory from Puerto Rico to Elkhorn, Wisconsin, and the termination of operations in Korea, amounted to $1,521,160, equivalent to 74 cents a share on 1,576,246 average number of common shares outstanding during the year. This compares with net income before moving expenses in 1967 of $2,827,313, or $1.58 a share on 1,567,747 average shares outstanding.

On a net basis, moving expenses in 1968 amounted to $119,271, equivalent to 8 cents a share, compared with $505,315 a year earlier, or 32 cents a share.

Consolidated net income, after all charges, amounted to $1,401,889, or 66 cents a share, compared with $2,321,998, or $1.26 a share a year earlier.

The effects of the Federal income tax surcharge reduced 1968 per share earnings by 8 cents.

**Dividends** Cash dividend payments on the company's common stock during the year totaled 64 cents per share, the same as in 1967.

The 1968 payments were 16 cents in each quarter and totaled $727,581 for the year.

Regular quarterly dividends totaling $354,451 were paid on the $4.375 Cumulative Convertible Preferred Stock.

**Sales Distribution** Sales in 1968 to principal markets, including those of Harper-Wyman Company, show substantially less dependence on television tuners. The decline is partly due to lower unit production during the year but, more importantly, reflects the diversification afforded by Harper-Wyman volume.

As a result, O/E/N sales to its major marketing areas show the best balance in the company's history.

| | 1968 | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|
| Television Tuners ..... | 23% | 31% | 34% | 35% | 35% |
| Industrial Electronics ... | 27 | 31 | 31 | 27 | 27 |
| Appliance Controls..... | 25 | 8 | 7 | 12 | 15 |
| Military ..... | 18 | 21 | 15 | 15 | 16 |
| Consumer Components. | 7 | 9 | 13 | 11 | 7 |

**Backlog** O/E/N entered 1969 with a $21.7 million backlog, up from the restated $21.2 million a year earlier. The mix of orders on hand relates proportionately to industry sales in 1968.

**Harper-Wyman Acquisition** The acquisition of Harper-Wyman, announced in December 1968, and approved by shareholders on March 5, 1969, was made for 440,000 shares of O/E/N common stock. An additional 40,000 shares are being held in escrow for delivery to Harper-Wyman shareholders if the newly-acquired subsidiary achieves net earnings of $800,000 or more during 1969.

**Employee Relations** Employee relations remained excellent throughout the year as evidenced by a continuing preference for union-free relationships by almost 90 per cent of O/E/N's U.S. employees.

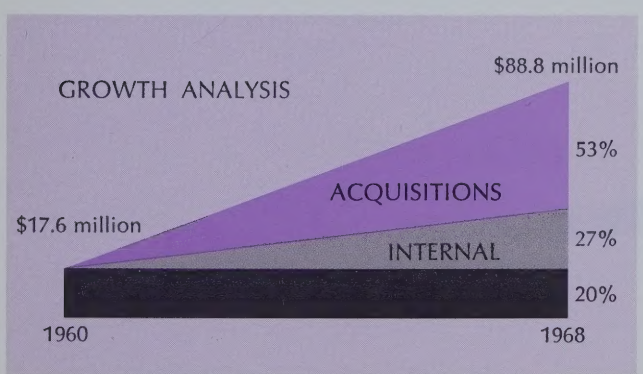
Two contracts were successfully negotiated in 1968 and two negotiations, involving 71 Tool Room employees at Crystal Lake and 13 at Princeton, Illinois, are scheduled for 1969.

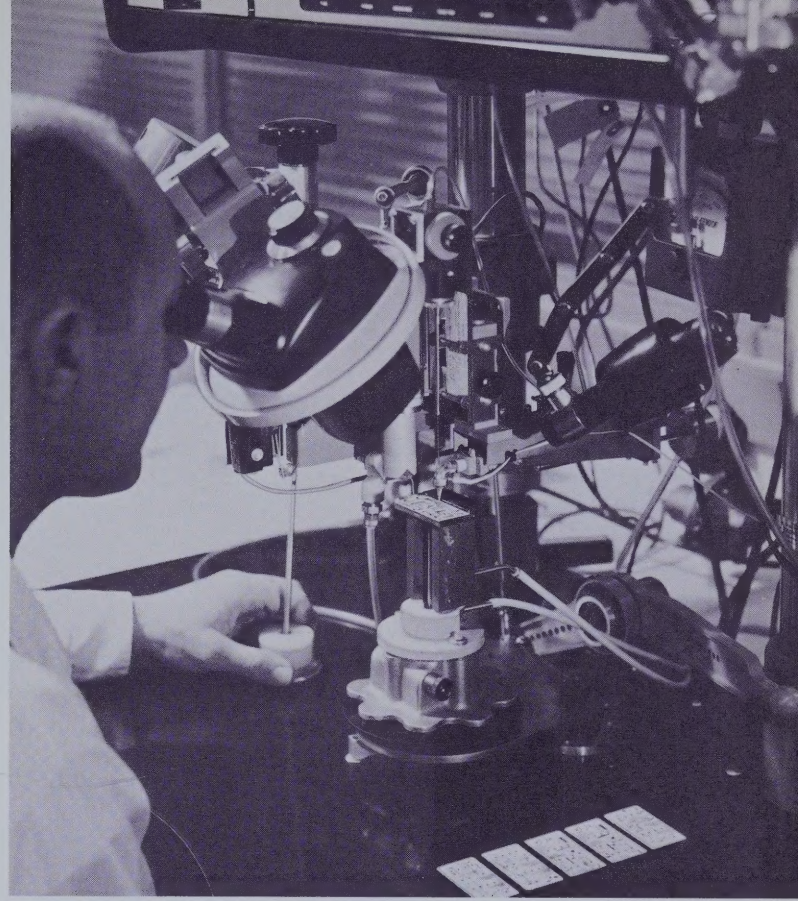
Total O/E/N salaries and wages increased to $33,747,329 from $33,398,262 a year earlier.

**Management** On March 5, 1969, Dr. Leo Jedynak, Associate Professor of Electrical Engineering at the University of Wisconsin, was elected to the Board of Directors to succeed Nicholas Dykstra, who resigned. Dr. Jedynak, on sabbatical leave from the University, is Director of O/E/N's Corporate Research and Development Laboratories in Madison, Wisconsin.

In February 1969, Lewis A. Wodetski, Corporate Controller for the past two years, was named Vice President, Finance and Controller.

A graphic analysis of O/E/N's volume growth since 1960 shows the effect of the Harper-Wyman acquisition. During the past eight years, 53 per cent of O/E/N's sales growth has come from acquisitions. The remaining 27 per cent is attributable to new product development.



Transistor semiconductor chips are checked for electrical performance via a transistor curve tracer in engineering lab.

Laminar/Flow Clean Room at Elkhorn offers near-perfect atmosphere for precision adjustment and sealing of military relays.

# Domestic Operations

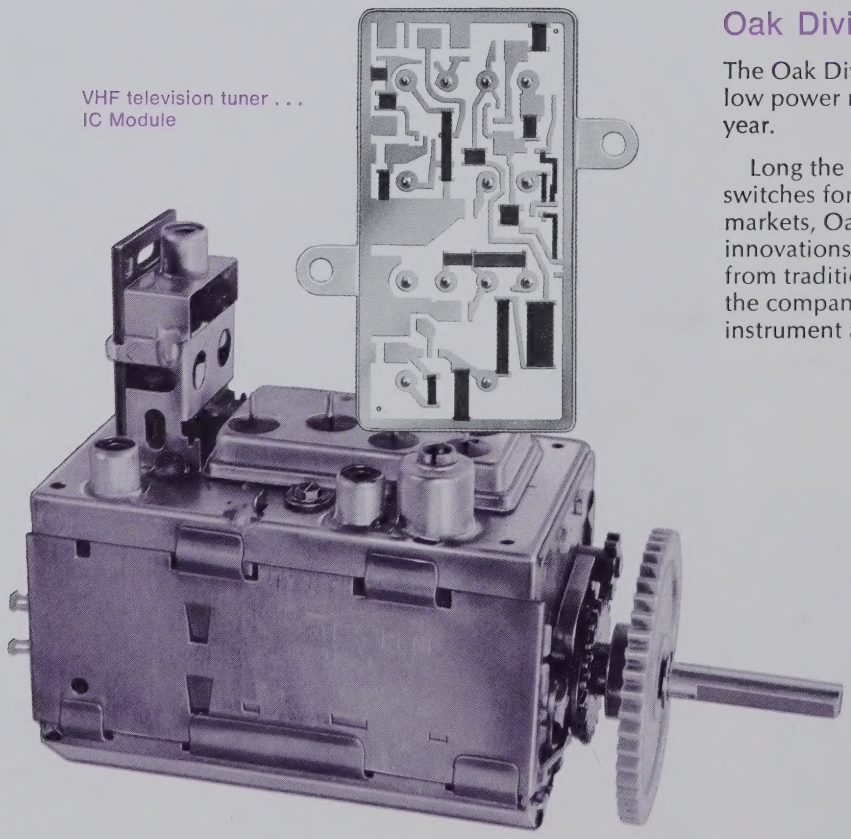
Domestic O/E/N operations continued as the major contributor to corporate sales, accounting for 85 per cent of total O/E/N volume.

Efforts to assure controlled growth were concentrated in administrative and manufacturing efficiencies and broadened marketing services through improved distribution and intensified new product introductions.

Though not enough to offset the decline in television tuner volume, excellent sales advances were posted by Marco-Oak, Dodge, Los Angeles Miniature Products and Techno-Components. The latter three companies were acquired in 1967.

The Oak Division again was a major sales and profit contributor during the year. Sales increases in some key product areas, notably rotary and pushbutton switches for industrial applications, virtually offset the decline in military switch sales.

All divisions and subsidiaries of O/E/N made substantial contributions to the new product program during 1968 and introduced many design innovations on existing products.



VHF television tuner . . .
IC Module

## Oak Division

The Oak Division maintained its leadership position in low power rotary and pushbutton switches during the year.

Long the dominant U.S. supplier of low power rotary switches for industrial, commercial and military markets, Oak introduced several new design innovations during 1968. The new approaches depart from traditional switch design concepts, strengthening the company's position in the specialized, high quality instrument and equipment markets.

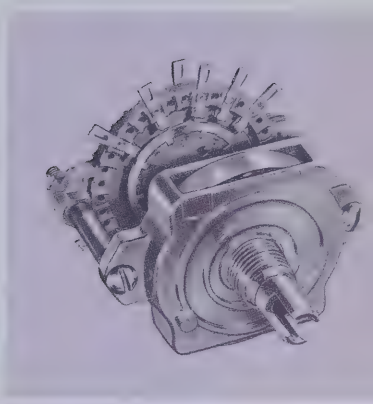
One such development is a hybrid integrated circuit switch. Passive and active elements mounted on a ceramic substrate provide a wide range of circuitry on the basic switch wafer. This permits simplification of miniaturization of the switching requirements of customers' end products.

Commercial switch applications were reviewed to reduce labor and material costs. The design approach in these areas relates to automated switch production and has resulted in a low-cost pushbutton switch that competes favorably in the home entertainment market.

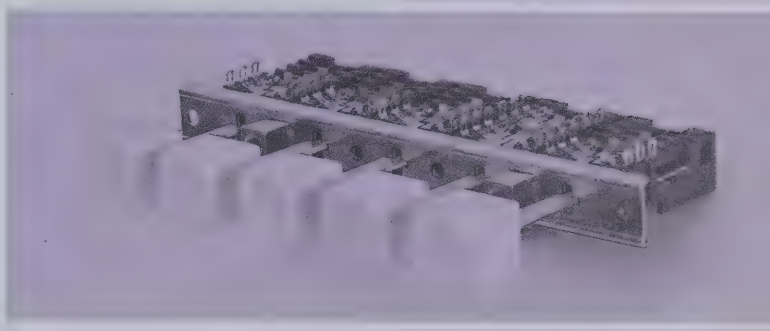
The expansion of the custom rotary switch line involved full production availability of a tiny 10-position microminiature switch, expressly designed for compatibility with integrated circuit technology.

In the pushbutton switch area, Oak introduced a unique switch clip designed to accommodate new flexible flat cables used increasingly in sophisticated electronics applications, such as high speed data processing equipment and behind-the-dashboard automotive equipment.

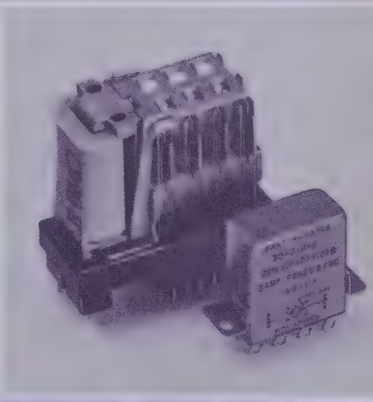
The Oak Division announced several relay innovations. New AC miniature relays were introduced to complement existing DC units, thus improving the company's ability to supply industrial relays where space, weight and cost are paramount considerations. AC versions of the Oak Division's popular "Versapac" line also were introduced for use in military, aerospace and sophisticated computer and measurement control systems.



Multidex Rotary Switch

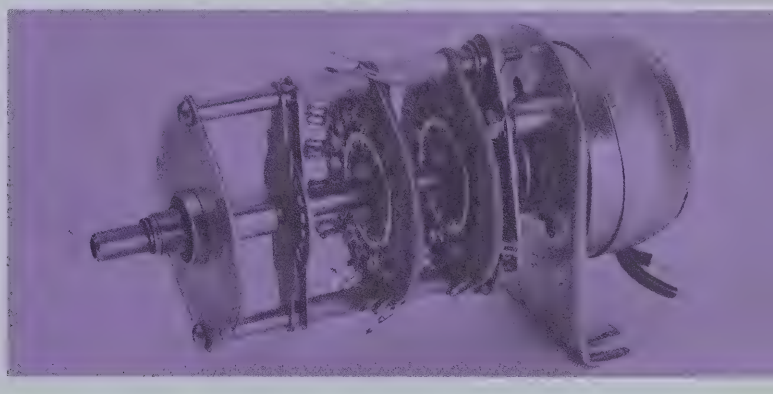


Pushbutton Switch



Type 67 "Versapac" Relay and
Miniature Military Relay

Rotary Solenoid Selector



## McCoy Electronics

Sales were adversely affected by cutbacks in the nation's space program and usage in Vietnam of communications equipment utilizing the type of high reliability units produced by McCoy Electronics.

While military volume is expected to rebound, the crystal business will undergo significant changes in coming years due to recent technological developments.

The advent of the crystal synthesizer will reduce the need for outside sales of quartz crystals in communications and frequency test equipment. McCoy's production of crystals is expected to be sustained, however, as internal requirements for these units in the company's expanding line of crystal filters for sophisticated communications systems increases. McCoy filter sales have almost doubled since 1965 and market indications are that industry sales for these units will reach $54 million by 1973, a 50 per cent increase over the 1968 market of $36 million.

Widely used to enhance selectivity of fixed frequency radio receivers, such as used in mobile, aerospace communications, radio and microwave equipment, crystal filters have for some time been limited to certain operational cutoff frequencies. In 1968, however, McCoy Electronics exceeded this limitation with the introduction of a series of very high frequency crystal filters.

These new VHF crystal filters retain the advantage of good selectivity along with a low insertion loss characteristic (which can inhibit reception). These units operate over a wide temperature range with extremely good frequency stability.

A complete line of computer clock oscillators for use in data processing and peripheral equipment, as well as other electronic circuit applications where subminiaturization is desired, were also introduced by McCoy during 1968, to complement its growth line of crystal oscillators.

The McCoy filter engineering group, in conjunction with the Madison Development Laboratories, is developing complete RF selectivity package assemblies for fixed frequency front-end receivers used in mobile communications, marker beacons and navigation.

## Marco-Oak Industries

Marco-Oak turned in an excellent 1968 performance, registering a 12 per cent increase in sales despite a reduction in military aerospace expenditures during the year.

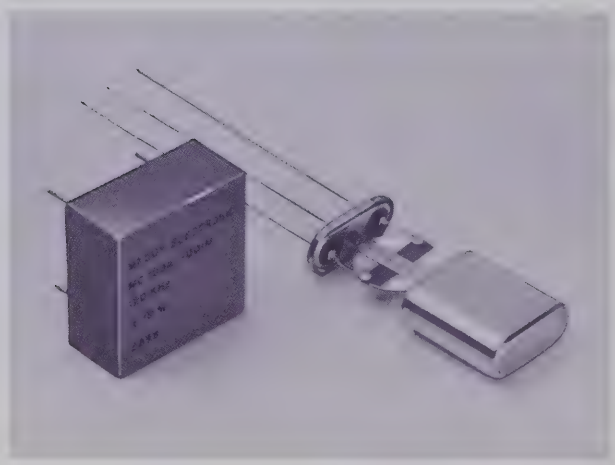
Marco offset the sluggishness in military business through greater penetration of industrial markets and the introduction of new products.

Key 1968 new product introductions included a subminiature indicator light designed specifically to aid in reducing overall size of instrument panels and equipment consoles and a complete new series of Presslites for computers, a market not previously served by Marco-Oak.

The company's distributor organization was greatly expanded, permitting more ready availability of standard indicator and Presslites. Broader sales coverage through distributors also permitted the Marco-Oak sales organization to concentrate on larger Original Equipment Manufacturers' accounts for development of major programs.

Product development emphasis will continue on new Missilite products, multiple switching and multiple lamp indicators, all designed to meet the expanding requirements of the computer, industrial and military markets.

The microminiature indicator is the industry's first unit that permits replacement of the lamp—not the entire unit—in the event of a burnout.



Crystal Oscillators and Filters

Illuminated Presslite Switches
Miniature T-1 Lamps (Q-T Lights)

## Techno-Components

Techno-Components reported a 20 per cent sales increase in 1968. Strong demand continued for its proprietary line of miniature wire wound trimming potentiometers for military and industrial control applications.

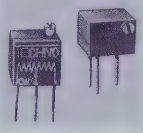
Techno, the only company to meet established military reliability specifications for these units, is principal supplier for the Standard and Standard Arm missile programs. Techno potentiometers are used to regulate current in the guidance control systems of ship-to-shore and air-to-ground missiles.

Product development efforts during 1968 concentrated on diversifying product lines. Currently under development are a 10-turn, 5/16" square trimming potentiometer and a complete line of infinite resolution thick film potentiometers.

The 10-turn potentiometer will open industrial markets to Techno, particularly in the electronic test equipment field for oscilloscopes and digital readout equipment.

Ultraminiature Incandescent Lamps

Miniature Trimming Potentiometers



## Los Angeles Miniature Products

Sales of LAMPS were 13 per cent ahead of 1967, principally due to demand for the company's traditional line of miniature lamps for aircraft panel applications.

LAMPS, a leading supplier of units for commercial jet equipment, is supplying all miniature lamps for the new Boeing 747—1,000 per aircraft.

During the year, LAMPS introduced an 1/8 inch diameter neon lamp, smallest ever offered, for such applications as voltage regulators, counting devices and other electronics and aircraft uses.

The company's readout lamp, introduced in 1967, showed good sales as design trends away from analog meters toward readout devices continue in new panel system developments.

Readout applications continue to increase in computers, new desk top calculators and coin changer devices. New designs in the automotive industry call for digital readout replacements of traditional meters in dashboard assembly.

LAMPS' operations are projected to keep pace with anticipated market growth through additional new product introductions in ultraminiature lights, neon indicators, readout lamps and subminiature fluorescent and large line filament lamps.

## Dodge Industries

Dodge, benefitting from production capacity added last year, posted the highest sales in its history. The increase was attributed to sustained demand for its wide variety of Teflon* extruded and coated products for electronics, electrical and general industrial use; a significant increase in sales of copper clad laminates for microwave applications, and flexible printed circuits and cables for the automotive, computer and telephone industries.

While virtually all O/E/N companies participate in the Apollo space program, one of the more interesting applications centered around the use of several Dodge products in the Apollo 8 flight.

The space suits worn by the astronauts were made from Beta Yarn (produced by Owens-Corning Fiberglass Co.) which Dodge had coated with Teflon. This yarn, virtually flameproof even in a pure oxygen atmosphere, was then woven into fabric from which the suits were tailored.

Another quality of Teflon is its inertness to practically all chemicals, acids and solvents. At the request of IBM Corp., Dodge fabricated some protective curtains and shields from specially formulated conductive Fluorglas (Dodge's trade name for Teflon-coated fiberglass fabric), to protect IBM's delicate instruments from fuel that may have been spilled during the fueling operation. The shields were built to fit completely around the 79 foot circumference of the Saturn rocket section and were tied together with Teflon-coated tie cords, also made by Dodge.

Another Dodge product—Teflon Thread Seal Tape—is sold directly to NASA. In a special conductive form, this ribbon-like material, used to seal threaded connections in electrically grounded piping systems, offers significantly less resistance to electrical current than commonly used fluorocarbon thread sealants.

*Reg. T.M. Dupont


Teflon Thread Seal Tape

## Tuner Operations

The restructuring of tuner operations resulted in significant operating improvements over the early 1968 production problems in the Far East.

By year end, Korean operations had been absorbed by Hong Kong and the latter facility was producing at a rate of 9,000 units per day.

In January 1969, for the first time since mid-1968, the balance of air versus sea shipments of tuners from the Far East to U.S. customers returned to normal. Additional lead times negotiated with key customers will allow further flexibility in maintaining shipping costs at 1969 budgeted levels.

Customer delivery of an all-channel VHF-UHF tuner and an integrated circuit VHF tuner introduced last year, are scheduled for late 1969.

These new units will enable customers to buy color or black and white television sets that are easier to tune, deliver a better picture, are smaller, less expensive and which contain fewer parts.

With the Oak Division's new "thick film" integrated circuit tuner module, nearly all discrete parts are removed from the basic tuner chassis assembly. In place, a tiny metal box—housing integrated circuit components—is mounted atop the tuner chassis.

Oak engineers are continuing development on all electronic varactor-diode tuners that afford sharply increased set design flexibility. Diodes eliminate the need for a mechanical link between the control knob and tuner, permitting the unit to be placed anywhere in the set.

Preset voltages also allow easy-to-operate pushbuttons to be substituted for conventional fine tuning devices.

Design and cost problems have delayed the appearance of diode tuners. Principal difficulty in designing a suitable tuner for the U.S. market lies in severe cross modulation problems due to an overcrowded TV spectrum, as well as the wide tuning range over which the diodes must track. Critical selectivity requirements make switching a major cost factor when considering the minimum U.S. requirement of 18 pushbuttons, 12 for VHF and at least six for UHF.

Solution of these problems by tuner manufacturers will mark the entry of new reliability and performance dimensions in television tuning.

◀ O/E/N's Solid State "Mark IV" All-Channel Tuner

## *Outlook*— Domestic Operations

The future of electronic components and materials continues bright despite a slowdown from the dramatic growth rate experienced in the early 1960's.

McGraw-Hill's ELECTRONICS Magazine estimates 1968 component sales at $7.1 billion, a $400 million increase over 1967. A 7 per cent rise is envisioned for 1969 and a 30 per cent increase to total sales of $9.2 billion between 1968 and 1972.

Fastest growing opportunities for components makers remain in industrial and commercial electronics areas where O/E/N is concentrating its product development efforts.

Sales of consumer electronics products were higher than anticipated. Color television set sales continued strong, rising 10 per cent to 5.8 million units in 1968. This favorable trend, coupled with the growth of industrial and educational closed-circuit systems, provides continuing opportunities in the audio-visual field.

The rapid rate of technological change in industries served by component manufacturers continues to foster service pressures. Buyer demands for shorter delivery lead times for special, customized products are expected to continue.

Several design trends are favorable for O/E/N, particularly the application of thick and thin film integrated circuit techniques for production of microelectronic circuits in consumer appliances and industrial controls. Increased use of electro-mechanical switches and relays in combination with solid state integrated circuits is expected to stimulate sales of all three products.

Overall, the electronics industry can look to more growth in selective market segments in the near term.

# International Operations

Sales of O/E/N subsidiaries in Europe and South Africa were the highest in history and all overseas operations again showed beneficial effects of product interchange and efficiency control projects during the year.

O/E/N Holland made strides toward effectively penetrating the switch market in common market countries, and O/E/N Canada showed significant sales and earnings increases over 1967.

## Diamond H Controls

Diamond H. Controls in England reported a 15 per cent sales increase as it continued to outpace the growth rate of the overall British economy.

Strong demand for electric cooker energy regulators accounted for most of the increase as the company maintained market dominance for electric range and cooker appliance controls.

A 30,000 square foot expansion of the company's four-year-old, 75,000 square foot plant in Norwich is scheduled for 1969, to meet additional requirements for thermostats, energy regulators, Oak-type switches and appliance controls.

Diamond H controls, also a leading relay producer, introduced a new industrial time delay unit and a high-volume open-type relay for vending machine applications. Both new products are expected to make important contributions to 1969 volume, offsetting anticipated leveling off in sales of energy regulators and thermostats to English cooker manufacturers.

## Diamond H Switches

In South Africa, Diamond H switches reported increased sales and profits despite a temporary curtailment of operations during its mid-year move from Durban to a new 25,000 square foot facility in Pietermaritzburg.

Total sales, spurred by strong demand for oven and water heater controls, selected switch products and miniature indicator lamps, rose 18 per cent above 1967 results. New contracts with a major appliance manufacturer provide a sound foundation for expanded sales of thermostats and energy regulators in 1969. A new water heater thermostat will be introduced early in the year to replace the current unit manufactured under a licensing agreement.

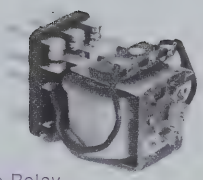
## O/E/N Holland

O/E/N Holland made significant strides in developing local markets for its products. In addition, the company gained approval among common market subsidiaries of U.S. customers for European manufacture of Oak-designed rotary switches for computer and industrial test equipment. Sales to leading equipment makers should contribute significantly to profitable operations in 1969.

In the fourth quarter of 1968, O/E/N Holland also initiated the production and sale of potentiometers for European subsidiaries of Techno's U.S. customers.

New 25,000 square foot Pietermaritzburg facility.

Mayor D. H. White Cooper of Pietermaritzburg, South Africa, (second from left) inspected the new South African plant at the time of its dedication in August, under the guidance of R. H. Dale, Managing Director of Diamond H Switches (center), and O/E/N President and Chairman Carter (right)



Open-Type Relay

Industrial Time Delay Unit

O/E/N Canada Thermostats

After completion of training at Crystal Lake, being given here by International Marketing Director, Houghton Baer (right), and Switch Engineer, Joe Miske (second from right) Malinarajana Pallai and Sonny Eipe will return to O/E/N India.

## O/E/N Canada

O/E/N Canada, a major supplier of appliance controls and rotary switches, recorded a substantial sales increase over 1967.

Part of the greater volume during the year came from the production of thermostats for electric ranges formerly produced in Hartford, Connecticut.

Overall strengthening of the company's management and a continuing value analysis program of division products resulted in greatly increased plant efficiencies and design improvements.

A three-year labor contract, signed in August, resulted in a wage settlement that is fair and equitable for both employees and the company. The contract, coupled with a job reclassification and redefinition program, has resulted in a tangible improvement in labor efficiencies and productivity.

## Japan Electro Components

Japan Electro Components, a minority-owned company located in Hachioji City, Japan, undertook a major new expansion plan in 1968 which will result in the opening of three new plants in the inland sea area for production of television tuners and rotary switches for the Japanese market.

This major expansion reflects new contracts with leading Japanese television set makers and forecasts that the Japanese television industry will produce over 10 million sets in 1969.

While wages and general costs are on the rise in Japan, and JEC wages are keeping pace with the trend, improved efficiencies and management rationalization also have been accomplished.

## O/E/N Japan

Principally a materials and parts sourcing operation in the Far East for all O/E/N companies, the Kawasaki-headquartered subsidiary almost tripled its activity in 1968, resulting in a substantial lowering of material costs by several domestic divisions.

## O/E/N India

In 1968, construction was started on a 14,000 square foot facility in Ernakulam, near the Port of Cochin, for production of switches and relays. Market studies indicate a potential of $7 to $8 million in sales for these components, principally among leading industrial firms and the Indian government itself.

Total investment for this planned expansion is expected to approximate $1 million, with O/E/N holding a 45 per cent interest. The balance will be split among private investment groups in India and the Kerala State Industrial Corporation, a government-owned business development firm.

# *Outlook—*

# International Operations

Overseas prospects remain favorable for O/E/N products despite unsettled market conditions created by the international monetary situation.

The McGraw-Hill publication, ELECTRONICS Magazine, forecasts total European component sales will rise more than 8 per cent to $2.3 billion in 1969.

While sales on the continent continue to suffer from wide variation in operating requirements established by Standards Boards in each country, the total switch market is expected to top $54 million in 1969. Relay volume should rise more than 10 per cent to $154 million.

Selected sectors of the African economy in general, and South Africa in particular, should improve even in the face of continued political unrest.

The trend, noted in last year's annual report, continued toward use of more reliable components by Asian manufacturers in products sold in their domestic markets and for export.

Labor shortages in Japan and a declining birth rate have given impetus to increased automation and sales of industrial controls. Japan's rising per capita income, now approaching European levels, has boosted major appliance sales.

As the standard of living and industrial indices of many foreign countries continue to grow at a greater rate than the U.S., O/E/N expects its international operations will share in this growth in increasing proportions.

# Research and Development

After formal dedication ceremonies at O/E/N's Development Laboratories, Governor Warren P. Knowles of Wisconsin, and O/E/N President and Chairman, E. A. Carter, toured the new lab facilities.

Completion of the O/E/N Development Laboratories marked the most significant year in the history of the company's research and development program.

Situated on a five-acre tract outside Madison, Wisconsin, the new Development Laboratories permit continued development of specific research projects with University of Wisconsin faculty and graduate students and greatly expand the company's research capabilities in some of the fastest growing microelectronics areas.

The facility contains three laboratories, each working in a specialized area: (1) Electrical (2) Mechanical and (3) Microelectronics. A fully-equipped model shop provides support activities to all groups.

The Laboratories feature the latest instrumentation equipment, including thick film equipment capable of limited production runs. Teletype tie-in with computers in Chicago, Cleveland and Madison enables research engineers to check circuit capabilities and component part designs in moments, rather than hours, greatly increasing efficiency and reducing costs.

The Laboratories currently are concentrating on advancing fabrication techniques of thick and thin film integrated circuits and silicon monolithic integrated circuit applications.

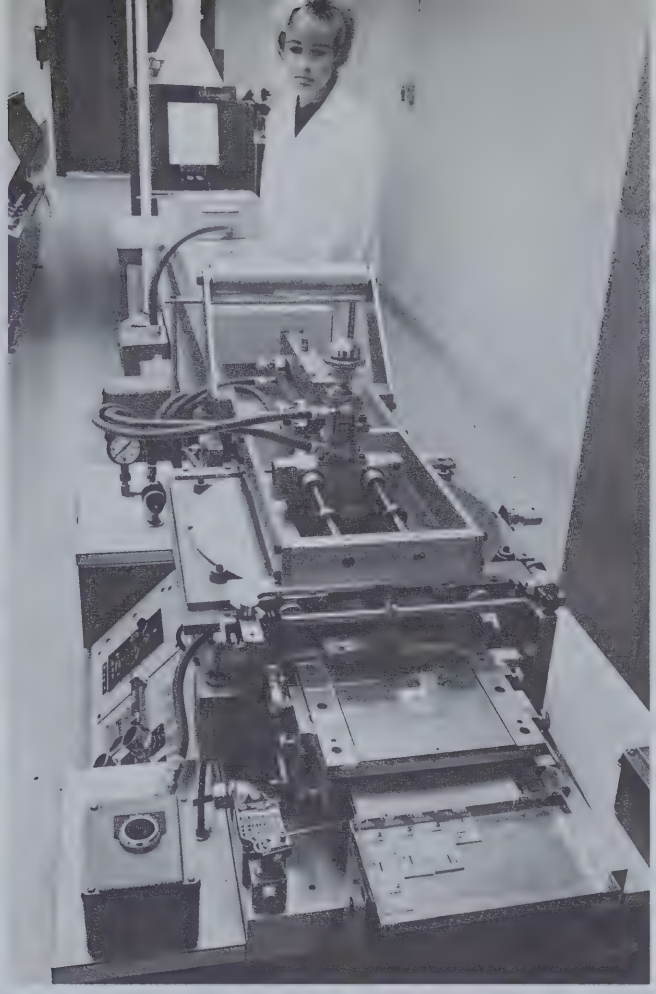
By 1972, the total microelectronic circuit market is expected to reach $785 million, a 203 percent increase over the 1967 actual market of $259 million. The market for all integrated circuit packages in 1972 is expected to top $1 billion, compared with an actual $465 million in 1967.

Coordination of projects is affected through the Laboratories' director, O/E/N's vice president of corporate development and subsidiary presidents.

This control permits corporate development projects to cut across divisional lines without duplicating product research responsibilities at the divisional level.

Total O/E/N investment in research and engineering, including that at the divisional level, amounted to $3.4 million in 1968, equivalent to 3.8 per cent of sales. O/E/N's expenditures for these activities are budgeted at $4 million in 1969.

Semi-automatic screen printer for thick film integrated circuit production is part of the Development Laboratories' expanded facilities.



Film art for printed circuit design

# Harper-Wyman

Harper-Wyman Company was founded in 1927 by Philip S. Harper, Sr., to manufacture center simmer gas valves he had designed, developed and patented. These truly unique valves controlled gas flow down to 350 Btu per hour on gas ranges, permitting homemakers for the first time to economically regulate their cooking at true simmering and maintain warm temperatures.

Subsequent expansion into other gas control components has earned Harper-Wyman international recognition as a leading designer and supplier of gas controls for ranges and for domestic space and central heating units. Principal products include range thermostats, valves, burners, ignition equipment, pressure regulators, heating controls and other related products.

The company employs more than 1,600 in five plants, totaling 260,000 square feet, in the United States, Mexico, Venezuela and England. Headquarters and engineering offices are in Hinsdale, Illinois, 40 miles from O/E/N headquarters in Crystal Lake. Manufacturing operations have been doubled in the past seven years.

### New Product Development

Much of the company's growth can be traced to product innovation. Most recent was the 1968 introduction of a unique control system for duplex ovens, featuring simplified design and lower cost, yet maintaining desired cooking performances.

Harper-Wyman is the only supplier in the gas range industry today that can supply every ignition, combustion and control component needed on a modern gas range. Recent R & D efforts have been concentrated in the heating control field and for such items as infrared plates for broilers, electric thermostat systems for gas ranges and electronic ignition units for gas appliances.

### Total Service Marketing

Products are sold through a well-coordinated network of company salesmen, customer service specialists and manufacturers' representatives. Domestic sales are headquartered in Hinsdale with field offices in California, Tennessee, Ohio and New Jersey. Overseas sales efforts are handled by salesmen based at the company's foreign subsidiaries and affiliates.

Engineering and design services play a vital part in the company's sales efforts as a supplier to original equipment manufacturers. Technical support for salesmen and specialized design services for customers, are maintained through customer service specialists at its headquarters and at each foreign plant. They are, in turn, supported by members of the corporate engineering staff.

### Growing Gas Market

Sales of gas and allied products continue to rise both domestically and overseas. Development of large, heretofore untapped natural gas fields in Alaska, Canada and the North Sea assures satisfactory reserves and creates opportunities for expanded service in many previously, low-consumption areas.

Several factors give substance to favorable projections for companies serving the gas industry, including the new natural reserves, economical advantages of gas and expanded distribution facilities. The country's network of gas transmission pipelines now exceeds 250,000 miles, enough to circle the earth 10 times. The American Gas Association expects gas sales for residential, commercial and industrial uses to rise 44 per cent from last year's 145.8 billion therms to 211.4 billion therms in 1975.

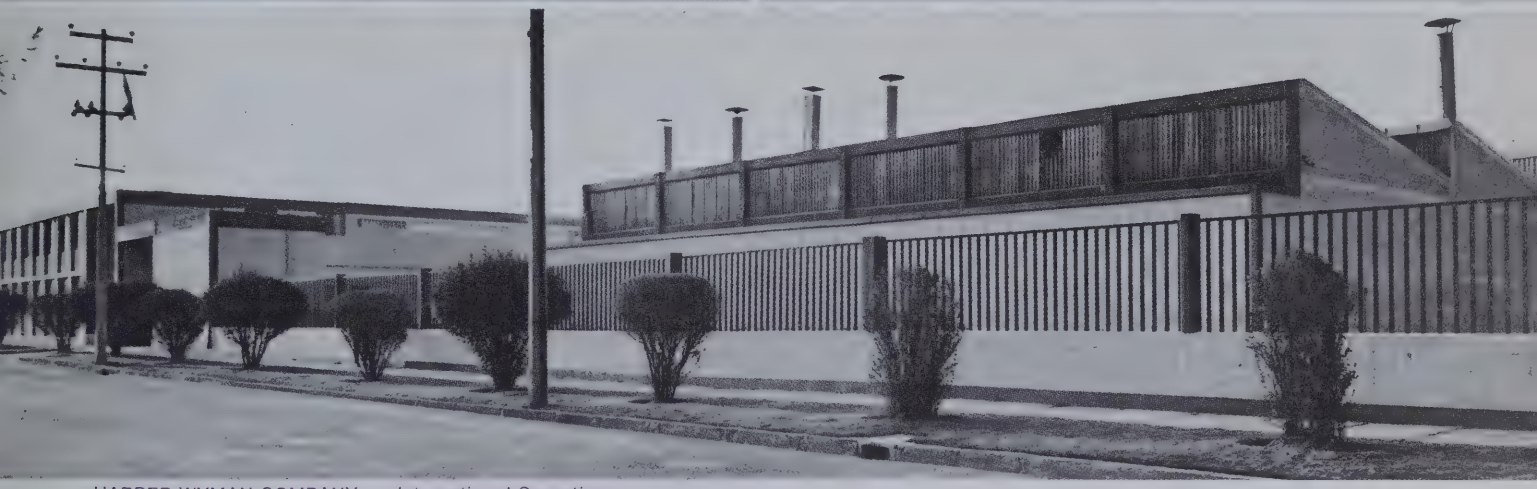
### Merger of Complementing Strengths

The O/E/N-Harper-Wyman union creates immediate and long-term opportunities difficult to achieve on an individual basis. Most obvious are product and marketing services benefits.

O/E/N, through its Canadian, South African and United Kingdom operations, has consistently increased its involvement in the electric range, heating and water heater field. Harper-Wyman provides potential entry into gas control markets and makes O/E/N a full-line supplier of gas and electric control components.

The pooling of technological experience is expected to create even greater opportunities for expansion of existing product lines and entry into new markets. This is particularly true in such fertile new design areas as solid state electronic controls for gas and electric appliances.

Manufacturing and distribution operations are equally compatible. O/E/N's overseas operations, combined with those of Harper-Wyman's, strengthen —rather than duplicate—existing facilities, and create significant growth potential in some of the world's fastest developing areas.

HARPER-WYMAN COMPANY . . . *International Operations*
Malvern Link, England (top left)/Caracas, Venezuela (top right)/Mexico City, Mexico (bottom)

Uni-matic Thermostatic Top Burner Control . . . being checked in gas range at left—product shown below.

6000 Series Oven-Matic All Temp Oven Thermostat.

# CONSOLIDATED

## ASSETS

| | 1968 | 1967 (Note 2) |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash | $ 2,291,321 | $ 3,935,746 |
| Receivables, less reserve of $324,000 in 1968 and $375,000 in 1967 | 12,787,663 | 13,498,616 |
| Inventories, at the lower of first-in, first-out cost or market | 22,659,521 | 19,233,630 |
| Total current assets | $37,738,505 | $36,667,992 |
| **PLANT AND EQUIPMENT, at cost (Note 7)** | | |
| Land | $ 1,300,501 | $ 1,341,521 |
| Buildings | 11,630,619 | 10,949,091 |
| Machinery and equipment | 16,411,989 | 15,733,479 |
| | $29,343,109 | $28,024,091 |
| Less-Accumulated depreciation | 12,490,053 | 11,434,493 |
| | $16,853,056 | $16,589,598 |
| **OTHER ASSETS:** | | |
| Investments in affiliated companies (Note 1) | $ 619,300 | $ 522,406 |
| Patents, at cost, less amortization | 109,311 | 134,031 |
| Unamortized debenture expense (Note 3) | 214,915 | 238,444 |
| Prepaid insurance, interest, etc. | 794,253 | 727,182 |
| | $ 1,737,779 | $ 1,622,063 |
| | $56,329,340 | $54,879,653 |

Notes to Consolidated Financial Statements

**(1) Principles of Consolidation:**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of foreign subsidiaries have been included in the consolidated financial statements on the basis of the official rates of exchange except plant and equipment, capital stock and surplus which have been converted at historical rates, where applicable. It is the Company's policy to provide for deferred Federal income taxes which will be payable upon the subsequent distribution of the earnings of certain foreign subsidiaries. The investments in affiliated companies have been adjusted to underlying book value at December 31, 1968, and their net income is included in the consolidated statement of income.

**(2) Pooling of Interests:**

On March 5, 1969, the Company's shareholders approved the acquisition of the business and substantially all of the assets of Harper-Wyman Company and subsidiaries in exchange for 480,000 shares of common stock, of which 40,000 shares will be subject to the condition that the 1969 after-tax net earnings of Harper-Wyman will be not less than $800,000. This acquisition has been accounted for on a pooling-of-interests basis, and the accompanying consolidated financial statements for the year ended December 31, 1968, include the consolidated financial statements of Harper-Wyman Company and subsidiaries. The accompanying consolidated financial statements for 1967 have been restated to include Harper-Wyman Company and subsidiaries.

**(3) Long-Term Debt:**

The 4⅜% subordinated convertible debentures are due $1,000,000 annually commencing March 1, 1978. The debentures are convertible at any time prior to maturity, unless previously redeemed, into common stock of the Company. The current conversion price of $35.31 per share, subject to adjustment in certain events, has been adjusted as the result of the acquisition of Harper-Wyman.

The 5% note payable is due $400,000 annually from 1969 through 1983 and $500,000 in 1984.

The debt agreements provide certain restrictions upon the payment of cash dividends and the purchase or redemption of any class of stock. At December 31, 1968, $9,070,000 of consolidated retained earnings was not subject to these restrictions.

**(4) Cumulative Convertible Preferred Stock:**

Dividends on the preferred stock are cumulative at $4.375 per share. Preferred shares are callable at $100 per share at the option of the Company any time subsequent to June 30, 1972. Based upon shares outstanding at December 31, 1968, the total call price would be $8,074,500. The 80,745 shares of preferred stock are convertible into 186,100 shares of common stock. Each share of preferred stock is entitled to ½ vote.

The accompanying notes are an

# BALANCE SHEETS

December 31, 1968 and 1967

## LIABILITIES

| | 1968 | 1967 (Note 2) |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Notes payable to banks | $ 2,978,807 | $ 1,576,410 |
| Current portion of long-term debt | 752,586 | 397,946 |
| Accounts payable and accrued expenses | 8,365,490 | 8,613,140 |
| Accrued income taxes | 610,096 | 584,103 |
| Total current liabilities | $12,706,979 | $11,171,599 |
| DEFERRED INCOME TAXES | $ 289,000 | $ 300,000 |
| RESERVE FOR PENSIONS (Note 6) | $ 655,764 | $ 524,624 |
| LONG-TERM DEBT, less amounts due within one year: | | |
| 4⅜% subordinated convertible debentures (Note 3) | $10,000,000 | $10,000,000 |
| 5% note payable (Note 3) | 6,100,000 | 6,500,000 |
| Notes payable of subsidiaries, payable in variable annual amounts to 1986 | 1,746,607 | 1,977,289 |
| | $17,846,607 | $18,477,289 |
| MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES | $ 636,652 | $ 545,704 |
| STOCKHOLDERS' INVESTMENT (Notes 2, 3 and 5): | | |
| Cumulative convertible preferred stock, $5 stated value, authorized 400,000 shares, issued 80,745 shares in 1968 and 81,154 shares in 1967 (liquidating preference $8,074,500 in 1968) (Note 4) | $ 403,725 | $ 405,770 |
| Common stock $1 par value, authorized 4,000,000 shares in 1968 and 2,000,000 shares in 1967, issued 1,620,476 shares in 1968 and 1,615,918 in 1967 | 1,620,476 | 1,615,918 |
| Paid-in surplus | 1,823,945 | 1,782,268 |
| Retained earnings | 20,415,112 | 20,114,264 |
| Less-Treasury stock, at cost (3,050 shares in 1968 and 2,650 in 1967) | (68,920) | (57,783) |
| | $24,194,338 | $23,860,437 |
| | $56,329,340 | $54,879,653 |

**(5) Stock Reservations:**

Under stock option plans, 110,044 shares of the Company's common stock are reserved for issuance to officers and key employees. Under a stock option plan adopted in 1967 and approved by the stockholders in 1968, options for 25,250 shares of common stock were granted at $34.13 per share. During 1968, options to purchase 2,300 shares at $11.27 per share, 1,100 shares at $11.40 per share, and 250 shares at $18.42 per share were exercised. At December 31, 1968, options for 75,294 shares were outstanding.

As of December 31, 1968, 436,105 shares of authorized and unissued common stock were reserved for issuance on conversion of the 4⅜% subordinated convertible debentures and the convertible preferred stock. On March 5, 1969, the current conversion price of the convertible debentures was adjusted, and an additional 33,206 shares of common stock were reserved for issuance on conversion.

**(6) Pension Plans:**

The Company has a pension plan which covers substantially all salaried employees. Obligations under the plan are funded on a level premium basis and both past and future service benefits are funded currently by a group annuity contract with an insurance company. During 1968, the Company provided $196,471 for the plan. The Company's subsidiary, Harper-Wyman Company, has a pension plan which provides for retirement benefits to substantially all of its employees. During 1968, Harper-Wyman provided $131,000 for the plan, however, no payments have been made to the fund since 1965. Certain other subsidiaries have retirement plans and during 1968, $124,243 was provided for these plans. Fund assets for these plans exceeded the actuarially computed value of vested benefits at December 31, 1968.

Deferred income tax effects resulting from timing differences in the funding of certain plans have been reclassified in the December 31, 1967 consolidated balance sheet from accrued income taxes to deferred income taxes.

**(7) Property, Plant and Equipment:**

Depreciation on buildings is generally provided on the straight line method for accounting purposes and at certain locations, depreciation is provided on the declining-balance method for income tax purposes. Depreciation of all other property is provided over the estimated useful lives principally on accelerated methods for accounting purposes. The use of the declining balance method for tax purposes has resulted in a tax deferral which is included in deferred income taxes.

**(8) Net Income per Share of Common Stock:**

Net income per share of common stock ($.66 in 1968 and $1.26 in 1967) is based upon the average number of common shares outstanding during each year, after recognition of a full year's dividend requirements on the preferred shares. In computing net income per share, average common shares outstanding during each period exclude the additional 40,000 shares of common stock to be issued if Harper-Wyman Company earns net income of $800,000 or more in the year ended December 31, 1969.

There would be no dilution in net income per share for 1968 if the 4⅜% subordinated convertible debentures, the $4.375 convertible preferred shares and the stock options were converted into common shares at the conversion ratios in effect at December 31, 1968.

integral part of these balance sheets.

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

| | 1968 | 1967 (Note 2) |
|---|---|---|
| NET SALES | $88,762,043 | $92,301,256 |
| COST OF SALES | 69,760,555 | 70,870,001 |
| Gross income | $19,001,488 | $21,431,255 |
| SELLING, ENGINEERING AND ADMINISTRATIVE EXPENSES | 15,101,390 | 15,315,771 |
| Income from operations | $ 3,900,098 | $ 6,115,484 |
| OTHER INCOME (EXPENSE), net: | | |
| Interest expense | $ (1,072,430) | $ (1,010,434) |
| Minority stockholders' interest in earnings of foreign subsidiaries | ( 82,354) | ( 60,531) |
| Miscellaneous, net | 560,846 | 352,794 |
| | $ ( 593,938) | $ ( 718,171) |
| Income before income taxes and moving expenses | $ 3,306,160 | $ 5,397,313 |
| PROVISION FOR INCOME TAXES | 1,785,000 | 2,570,000 |
| Income before moving expenses | $ 1,521,160 | $ 2,827,313 |
| MOVING EXPENSES and other costs related to relocation of facilities, net of applicable Federal income taxes of $92,000 in 1968 and $425,000 in 1967 | $ ( 119,271) | $ ( 505,315) |
| Net income | $ 1,401,889 | $ 2,321,998 |
| NET INCOME PER COMMON SHARE (Note 8): | | |
| Before Moving expenses | $ .74 | $ 1.58 |
| Moving expenses | (.08) | (.32) |
| Net income | $ .66 | $ 1.26 |

## CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

| | 1968 | 1967 (Note 2) |
|---|---|---|
| SOURCE: | | |
| Net income | $ 1,401,889 | $ 2,321,998 |
| Depreciation and amortization | 2,958,167 | 2,636,373 |
| Proceeds from sale of 4⅜% subordinated convertible debentures | — | 10,000,000 |
| Proceeds from long-term debt | — | 79,243 |
| Proceeds from exercise of stock options | 43,066 | 182,870 |
| Other items, net | 114,995 | 249,909 |
| | $ 4,518,117 | $15,470,393 |
| APPLICATION: | | |
| Net additions to plant and equipment | $ 3,173,376 | $ 3,587,275 |
| Reduction of long term debt | 630,682 | — |
| Cash dividends: | | |
| Common | 727,581 | 684,144 |
| Preferred | 354,451 | 160,010 |
| Investments in affiliated companies | 96,894 | 375,523 |
| Expenses incurred on sale of 4⅜% subordinated convertible debentures | — | 258,583 |
| Increase (decrease) in working capital | (464,867) | 10,404,858 |
| | $ 4,518,117 | $15,470,393 |

The accompanying notes are an integra

## CONSOLIDATED STATEMENTS OF PAID-IN SURPLUS AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 1968 and 1967

| | 1968 | 1967 (Note 2) |
|---|---|---|
| **PAID-IN SURPLUS** | | |
| BALANCE, BEGINNING OF YEAR, as restated | $ 1,782,268 | $ 1,565,934 |
| Excess of option price over par value of previously unissued common stock | 39,416 | 167,470 |
| Expenses in connection with poolings-of-interests | — | (120,000) |
| Transactions of acquired companies prior to poolings-of-interests | — | 168,864 |
| Miscellaneous items, net | 2,261 | — |
| BALANCE, END OF YEAR | $ 1,823,945 | $ 1,782,268 |
| **RETAINED EARNINGS** | | |
| BALANCE, BEGINNING OF YEAR, as restated | $20,114,264 | $18,636,420 |
| ADD (DEDUCT): | | |
| Net income for the year | 1,401,889 | 2,321,998 |
| Cash dividends— | | |
| Common ($.64 per share) | (727,581) | (684,144) |
| Preferred ($4.375 per share in 1968 and $1.97 per share in 1967) | (354,451) | (160,010) |
| Dividends of acquired company prior to pooling-of-interests | ( 19,009) | — |
| BALANCE, END OF YEAR (Note 3) | $20,415,112 | $20,114,264 |

**To the Stockholders and the Board of Directors**
OAK ELECTRO/NETICS CORP

We have examined the consolidated balance sheets of OAK ELECTRO/NETICS CORP. (a Delaware corporation) and subsidiaries as of December 31, 1968 and 1967, and the related consolidated statements of income, paid-in surplus and retained earnings, and funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income, paid-in surplus and retained earnings, and funds present fairly the financial position of OAK ELECTRO/NETICS CORP. and subsidiaries as of December 31, 1968 and 1967, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the years.

**ARTHUR ANDERSEN & CO.**

Chicago, Illinois
March 6, 1969

part of these financial statements.

# OAK ELECTRO/NETICS CORP *and subsidiaries*

| | 1968 | 1967 | 1966 |
|---|---|---|---|
| **OPERATIONAL RESULTS** | | | |
| Net Sales | $88,762,043 | $92,301,256 | $88,011,587 |
| Income Taxes | 1,693,000 | 2,145,000 | 2,986,800 |
| Net Income | 1,401,889 | 2,321,998 | 3,031,245 |
| Net Income per Common Share (1) | $ .66 | $1.26 | $1.72 |
| Cash Dividends—Common | $ 727,581 | $ 684,144 | $ 530,497 |
| Cash Dividends per Common Share | $ .64 | $ .64 | $ .51 |
| **FINANCIAL POSITION** | | | |
| Current Assets | $37,738,505 | $36,667,992 | $36,933,319 |
| Current Liabilities | 12,706,979 | 11,171,599 | 21,841,784 |
| Current Ratio | 3.0 | 3.3 | 1.7 |
| Working Capital | $25,031,526 | $25,496,393 | $15,091,535 |
| Property, Plant and Equipment (Net) | 16,853,056 | 16,589,598 | 15,595,624 |
| Total Assets | 56,329,340 | 54,879,653 | 53,767,987 |
| Long Term Debt | 17,846,607 | 18,477,289 | 8,398,046 |
| Earnings Reinvested in the Business | 300,848 | 1,477,844 | 2,442,748 |
| Shareholders' Investment (Net Worth) | 24,194,338 | 23,860,437 | 22,145,459 |
| **GENERAL STATISTICS** | | | |
| Return on Shareholders' Investment—Beginning | 5.87% | 10.49% | 15.61% |
| Capital Expenditures (Excluding acquisitions) | $ 3,173,376 | $ 3,587,275 | $ 4,324,787 |
| Depreciation and Amortization | 2,958,167 | 2,636,373 | 2,455,457 |
| Cash Flow from Operations | 4,360,056 | 4,958,371 | 5,486,702 |
| Cash Flow per Common Share | $2.77 | $3.16 | $3.53 |
| Common Shares Outstanding—Average | 1,576,246 | 1,567,747 | 1,555,755 |
| Number of Shareholders | 4,494 | 4,385 | 4,131 |
| Number of Employees | 8,998 | 8,315 | 9,492 |
| Salaries and Wages | $33,747,329 | $33,398,262 | $32,039,791 |
| Common Stock Price Range | 38⅞-22¾ | 48¾-18⅞ | 30⅜-17 |

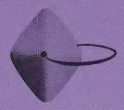
*(1) After retroactive reflection of dividends on Preferred Shares issued for acquisitions which are treated as poolings of interests.*

*Where applicable, figures reflect poolings of interests treatments of acquired companies.*

# TEN YEAR STATISTICAL REVIEW

| 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 |
|---|---|---|---|---|---|---|
| $73,532,346 | $63,696,801 | $51,576,562 | $40,459,386 | $31,592,605 | $25,332,132 | $26,499,819 |
| 2,337,791 | 2,127,106 | 1,633,790 | 933,643 | 795,881 | 916,000 | 1,412,928 |
| 2,607,347 | 2,087,582 | 1,102,776 | 969,049 | 719,667 | 478,365 | 1,395,638 |
| $1.49 | $1.15 | $ .51 | $ .43 | $ .27 | $ .33 | $ .97 |
| $ 371,047 | $ 269,705 | $ 205,201 | $ 68,706 | $ 65,579 | $ 653,869 | $ 655,894 |
| $ .36 | $ .26 | $ .20 | $ .07 | $ .07 | $ .66 | $ .66 |
| $24,300,288 | $19,647,416 | $15,916,364 | $13,872,023 | $ 9,951,081 | $ 9,365,436 | $10,577,845 |
| 11,163,620 | 7,522,912 | 7,203,931 | 5,738,924 | 3,303,153 | 2,614,276 | 3,200,041 |
| 2.2 | 2.6 | 2.2 | 2.4 | 3.0 | 3.6 | 3.3 |
| $13,136,668 | $12,124,504 | $ 8,712,433 | $ 8,133,099 | $ 6,647,928 | $ 6,751,160 | $ 7,377,804 |
| 13,695,736 | 11,945,772 | 10,788,540 | 9,284,208 | 6,873,502 | 5,766,739 | 3,105,848 |
| 38,826,901 | 32,513,972 | 27,701,617 | 24,137,265 | 17,355,133 | 15,591,007 | 16,371,552 |
| 7,124,605 | 6,777,202 | 4,296,230 | 3,061,747 | 225,570 | — | — |
| 2,112,710 | 1,735,173 | 956,408 | 842,343 | 591,288 | (203,422) | 681,744 |
| 19,420,683 | 17,278,677 | 15,548,825 | 14,853,858 | 13,473,059 | 12,743,458 | 13,064,026 |
| 15.09% | 13.43% | 8.25% | 7.19% | 5.65% | 3.66% | 11.97% |
| $ 2,729,990 | $ 3,084,742 | $ 2,586,108 | $ 1,421,139 | $ 1,642,795 | $ 3,276,665 | $ 495,077 |
| 2,093,473 | 1,803,241 | 1,519,212 | 1,259,168 | 941,141 | 671,159 | 562,506 |
| 4,700,820 | 3,890,823 | 2,745,188 | 2,228,217 | 1,660,808 | 1,149,524 | 1,958,144 |
| $3.05 | $2.53 | $1.77 | $1.45 | $1.10 | $ .80 | $1.36 |
| 1,539,695 | 1,538,683 | 1,548,433 | 1,534,423 | 1,504,963 | 1,432,098 | 1,438,223 |
| 3,981 | 3,923 | 3,848 | 4,008 | 3,965 | 4,128 | 4,180 |
| 7,812 | 6,958 | 5,152 | 4,729 | 3,420 | 2,813 | 2,796 |
| $26,460,267 | $24,404,807 | $19,518,581 | $15,648,483 | $12,604,299 | $10,608,308 | $10,247,714 |
| 20⅞-10⅜ | 14⅛-9½ | 11⅞-8⅜ | 13⅛-8⅛ | 12⅛-9⅜ | 13⅝-9⅜ | 14¼-11⅛ |

*Where applicable, common share data adjusted to reflect 50% stock distribution made on August 12, 1966.*



# Policies and Objectives

**EARNINGS**

It shall be the objective of O/E/N to obtain a minimum annual return on invested capital of 17 per cent and a minimum profit position of 8 per cent net to sales.

**DIVIDENDS**

It shall be the policy of O/E/N to distribute cash dividends not to exceed 40 per cent of annual net earnings.

**MANAGEMENT**

It shall be the policy of O/E/N to encourage autonomous operation of each subsidiary and division within the framework of overall corporate policies and objectives.

**ACQUISITIONS**

It shall be the objective of O/E/N to acquire profitable companies in the components and materials field on a basis beneficial to both ownerships.

**EMPLOYEES**

It shall be the policy of O/E/N to provide an atmosphere for the development of individual employee responsibility and sense of participation in the success of the corporation.

**PHILOSOPHY OF LEADERSHIP**

It shall be the policy of O/E/N to set a standard of excellence above the level of competition.

**BUSINESS**

It shall be the policy of O/E/N to confine its business to the components and materials field.

**FUTURE**

It shall be the objective of O/E/N to achieve recognition as the world's most respected components producer—with engineering, production and marketing capabilities in each and every major world market.

## OAK ELECTRO/NETICS CORP

*Company or Division*

*Domestic*

- Oak Manufacturing Co.
- Hart Indiana
- Selectronics Division
- McCoy Electronics Company
- Dodge Industries, Inc.
- Marco-Oak Industries
- Techno-Components Corp.
- Los Angeles Miniature Products, Inc.
- Harper-Wyman Company

*International*

- O/E/N Canada Ltd.
- Diamond H Controls Ltd.
- Oak Electro/netics Holland N. V.
- Diamond H Switches (S. A.) Pty., Ltd.
- O/E/N India Limited
- Oak Electro/netics Corp. (Hong Kong) Ltd.
- Oak Electro/netics Corp. (Japan) Ltd.
- Japan Electro Components Ltd.

*O/E/N Corporate Sales Offices*

- O/E/N California
- O/E/N Florida

*O/E/N International Sales Representatives*

# Operating Organization

| *Location* | *Products* | *Applications* |
|---|---|---|
| Crystal Lake, Illinois | Rotary and Pushbutton Switches/Rotary Solenoids/ Choppers/Appliance Switches/Hart-Advance Military and Industrial Relays | Industrial Controls/Data Processing Equipment/ Communications Systems/Military Equipment/ Medical & Laboratory Equipment |
| Mishawaka, Indiana | Tooling/Diemaking/Fabricating Operations | Automotive Industry/Appliance Controls/ TV Industry/Home Entertainment Field/Industrial Controls/Military Equipment |
| Crystal Lake, Illinois | VHF Television Tuners/UHF Television Tuners/ FM Radio Tuners | Television Industry/Radio Industry |
| Mt. Holly Springs, Pennsylvania | Quartz Crystals/Crystal Filters/Oscillators/ Crystal and Component Ovens | Military and Commercial Communications Equipment/Two-Way Radios/Automatic Computer/ Timing Control Systems |
| Hoosick Falls, New York | PTFE Materials and Fabrics (Glass-reinforced Tapes/Sheet Material/Coated Yarns/Spray Coating/Copper and Aluminum Clads) | Missile and Aircraft Systems/Electrical Wiring Insulation/Photographic and Food Processing Industries/Industrial and Commercial Plumbing |
| Anaheim, California | Illuminated Pushbutton Switches/Indicator Lights/ Snap-in Receptacles (Toggle Switches/Pilot Lights)/Rotary Switches | Data Processing Equipment/Control Panels for Aerospace and Industrial Applications/Space Vehicle Ground Checkout Systems/Signaling Equipment |
| Van Nuys, California | Miniature Wire Wound Trimming Potentiometers/ Miniature Test Connectors | Airborne Radar and Communications Systems/ Guidance Control Systems in Missile Applications/ Computers and Data Processing Equipment |
| Gardena, California | Miniature and Subminiature Incandescent Lamps/ Neon Lamps | Aircraft Flight and Ground Support Panels/ Aircraft Instruments/Readout Devices for Panel Systems |
| Hinsdale, Illinois | Gas Controls and Components (Range Thermostats/ Valves/Burners/Ignition Equipment/Pressure Regulators/Heating Controls) | Industrial and Commercial Gas Ranges/Domestic Space and Central Heating Units |
| Aurora, Ontario, Canada | Infinite Controls/Hydraulic and Bi-Metal Thermostats/Rotary Switches/Snap-in Devices | Home and Industrial Appliances/Laboratory Equipment/Data Processing Equipment/ Military Equipment |
| Norwich, England | Hydraulic Thermostats/Energy Regulators/Relays/ Rotary and Toggle Switches/Snap-in Devices/ Oak Rotary and Moduline Switches | Home and Industrial Appliances/Test and Laboratory Equipment/Missile and Aircraft Systems/ Industrial Controls/Communications Equipment |
| Emmen, Holland | Oak Rotary and Moduline Switches/ Techno-Components Miniature Wire Wound Trimming Potentiometers | Data Processing and Business Machines/ Scientific Instruments/Industrial Electronic Equipment |
| Pietermaritzburg, South Africa | Energy Regulators/Thermostats/Rotary Switches/ Snap-in Devices/Indicator Lamps | Home and Industrial Appliances/Educational Training Aids/Industrial Controls |
| Cochin, India | Oak Rotary Switches/Hart-Advance Industrial Relays | Appliance Controls/Communications Systems/ Data Processing Equipment |
| Kowloon, Hong Kong, B.C.C. | VHF Television Tuners/UHF Television Tuners/ FM Radio Tuners | Television Industry/Radio Industry |
| Kawasaki, Japan | Sources and purchases parts and components | Serves all O/E/N companies and licensees. |
| Hachioji City, Tokyo, Japan | VHF Television Tuners and Related Components | Television Industry |

| | | |
|---|---|---|
| Los Altos, California | *Representing:* | Oak Switches/Hart-Advance Relays/McCoy Quartz Crystals/Marco-Oak Indicator Lights/Marco-Oak Presslites |
| Ft. Lauderdale, Florida | *Representing:* | Oak Switches/Hart-Advance Relays/Techno-Components Potentiometers/ Marco-Oak Indicator Lights/Marco-Oak Presslites |

*Sales Agents or Distributors represent O/E/N in the following international locations:*
Argentina/Australia/Austria/Belgium/Canada/Chile/Columbia/Denmark/Finland/France/Germany/Greece/Iceland/Israel/Italy/ Japan/Mexico/New Zealand/Norway/Pakistan/Portugal/Rhodesia/South Africa/Spain/Sweden/Switzerland/Venezuela

## GENERAL OFFICES

Crystal Lake, Illinois

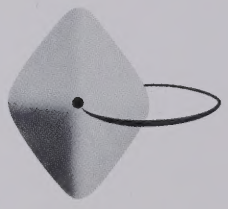
## ANNUAL MEETING

The Annual Meeting of the Corporation will be held at its general offices in Crystal Lake, Illinois, at 10:00 A.M., May 2, 1969.

## STOCK TRANSFER AGENTS

The First National Bank of Chicago
Chicago, Illinois

First National City Bank
New York, New York



## REGISTRARS

The Northern Trust Company
Chicago, Illinois

The Chase Manhattan Bank, N.A.
New York, New York

## TRUSTEE UNDER THE DEBENTURES

The Northern Trust Company
Chicago, Illinois

First National City Bank
New York, New York
New York Authenticating Agent

## STOCK EXCHANGES

New York Stock Exchange
Midwest Stock Exchange